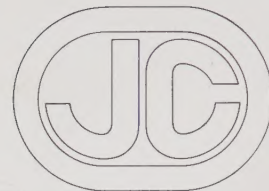


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The Ontario Jockey Club



ANNUAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 1971

THE ONTARIO JOCKEY CLUB Toronto, Ontario

Trustees	J. H. ADDISON	- - - - -	Willowdale, Ontario
	J. ELGIN ARMSTRONG	- - - - -	Brampton, Ontario
	†CHARLES BAKER	- - - - -	King, Ontario
	DOUGLAS BANKS	- - - - -	Nashville, Ontario
	G. M. BELL	- - - - -	Calgary, Alberta
	JOHN E. BOSWORTH	- - - - -	Newmarket, Ontario
	*C. F. W. BURNS	- - - - -	King, Ontario
	H. J. CARMICHAEL	- - - - -	Toronto, Ontario
	C. R. DIEBOLD	- - - - -	Buffalo, N.Y.
	D. G. FORMAN	- - - - -	Williamsville, N.Y.
	*G. C. FROSTAD	- - - - -	Burlington, Ontario
	*GEORGE R. GARDINER	- - - - -	Toronto, Ontario
	THE RIGHT HONOURABLE VISCOUNT HARDINGE	- - - - -	Montreal, P.Q.
	†*GEORGE C. HENDRIE	- - - - -	Toronto, Ontario
	J.-L. LÉVESQUE	- - - - -	Outremont, P.Q.
	J. A. McDOUGALD	- - - - -	Willowdale, Ontario
	F. M. McMAHON	- - - - -	Vancouver, B.C.
	*JOHN J. MOONEY	- - - - -	Toronto, Ontario
	WARD C. PITFIELD	- - - - -	Toronto, Ontario
	M. D. RICHARDSON	- - - - -	Aurora, Ontario
	WOLFGANG von RICHTHOFEN	- - - - -	Campbellville, Ontario
	*J. E. FROWDE SEAGRAM	- - - - -	Waterloo, Ontario
	F. H. SHERMAN	- - - - -	Hamilton, Ontario
	CONN SMYTHE	- - - - -	Toronto, Ontario
	C. P. B. TAYLOR	- - - - -	London, England
	*E. P. TAYLOR	- - - - -	Bahama Islands
	*D. G. WILMOT	- - - - -	King, Ontario

†Chairman of Executive Committee

*Executive Committee

†Honorary President

Officers	E. P. TAYLOR	- - - - -	Chairman of the Board
	CHARLES BAKER	- - - - -	Vice-Chairman of the Board
	JOHN J. MOONEY	- - - - -	President
	J. E. FROWDE SEAGRAM	- - - - -	Vice-President
	GEORGE R. GARDINER	- - - - -	Vice-President
	JOHN H. KENNEY	- - - - -	Vice-President—Administration
	SIGURD C. CARLSEN	- - - - -	Secretary
	ROLAND B. ROBERTS	- - - - -	Treasurer

Solicitors	FISHER & HOLNESS	- - - - -	Toronto, Ontario
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Auditors	CLARKSON, GORDON & CO.	- - - - -	Toronto, Ontario
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Trustee for First Mortgage Bonds	NATIONAL TRUST COMPANY, LIMITED		Toronto, Montreal, Winnipeg and Vancouver
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Trustee for 10% Secured Debentures	MONTREAL TRUST COMPANY		Toronto, Montreal, Winnipeg, Regina, Calgary, and Vancouver
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THE ONTARIO JOCKEY CLUB

ANNUAL REPORT OF THE BOARD OF TRUSTEES

The Trustees of The Ontario Jockey Club present herewith the annual report and audited financial statements for the year 1971.

In the annual report of The Jockey Club Limited for the year ended December 31, 1970, it was pointed out that an important factor which contributed to that company's economic difficulties in 1970 was the existence and proliferation of so-called off-track messenger betting shops. The Trustees believe that the principal factor contributing to the disappointing financial results in 1971 was the further inroads of such unsupervised off-track betting on patronage at our race tracks.

In assessing the ability of The Ontario Jockey Club to meet all of its obligations in the future, we think that the most useful figures to study are those of The Jockey Club Limited for the year 1969. That was the first year in which Sunday racing was conducted throughout the entire racing season at Fort Erie, Woodbine and Garden City meetings and on July 1, 1969 federal legislation came into effect increasing the percentage of pari-mutuel handle permitted to be retained by racing associations. These two measures proved beneficial to the operations of The Jockey Club Limited but, as indicated above, their effect was largely offset in 1970 by the inroads of unsupervised off-track betting, a problem which proved even more critical in 1971.

The Premier of Ontario has indicated that, subject to the enactment of federal enabling legislation, the Province will implement a properly regulated system of off-track betting. He has stated that the proceeds of such a system will be distributed "on an equitable basis, between the race tracks, the horsemen, and Government". The inter-departmental Task Force established by the Government of Ontario has completed its report, which has been tabled in the Legislature. The urgent need now is for federal enabling legislation.

Effective May 1, 1972, through an amendment to The Race Tracks Tax Act of the Province of Ontario, the payment of remuneration to collectors of this tax was discontinued. The remuneration payable to the racing associations for collecting the tax prior to May 1, 1972 was 3% of the total tax collected and, accordingly, the amendment represents a significant loss of revenue to The Ontario Jockey Club.

Notwithstanding the continuance of unsupervised off-track betting activities and the rescinding of the remuneration for collection of tax on pari-mutuel wagering, the financial results of 1972 operations to date have been gratifying and the Trustees are confident that the financial results for the full year will be satisfactory.

It is with extreme regret that we report the death during the year of Col. R. S. McLaughlin who gave many years of invaluable service as a Director and Vice-President of The Jockey Club Limited. It is also with regret that we record the deaths of Mr. Carl S. Hallauer and Mr. Wade Stevenson who served for several years as Directors of The Fort Erie Jockey Club Limited.

Mr. John E. Bosworth of Newmarket was appointed to the Board of Trustees in March of 1972.

On behalf of the Board of Trustees,

E. P. TAYLOR,
Chairman.

Toronto, June 19, 1972.

THE ONTARIO JOCKEY CLUB

(formerly The Toronto Driving Club Limited)

(a corporation without share capital incorporated under the laws of Ontario)

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1971

(with comparative figures for The Jockey Club Limited and its subsidiary companies at December 31, 1970—note 2)

Assets	1971	1970
FIXED ASSETS, at cost (notes 1 and 3):		
Buildings and equipment - - - - -	\$29,866,314	\$53,368,298
Less accumulated depreciation		<u>14,800,805</u>
		38,567,493
Land and land improvements - - - - -	26,066,516	3,733,043
	<u>55,932,830</u>	<u>42,300,536</u>
GOODWILL, at cost - - - - -		2,796,042
OTHER ASSETS:		
Cash - - - - -	436,400	457,969
Accounts receivable - - - - -	134,195	633,111
Prepaid expenses - - - - -	362,092	202,448
Income taxes recoverable - - - - -	50,678	
Mortgage receivable, due May 1975 - - - - -	204,782	249,492
	<u>1,188,147</u>	<u>1,543,020</u>
	<u>\$57,120,977</u>	<u>\$46,639,598</u>
Liabilities		
EQUITY (note 1):		
Share capital—		
First preference shares - - - - -		\$ 2,897,600
Second preference shares - - - - -		3,000,000
Common shares - - - - -		<u>14,701,207</u>
		20,598,807
Earned surplus (deficit) - - - - -	\$ (48,451)	8,620,982
	<u>(48,451)</u>	<u>29,219,789</u>
LONG-TERM DEBT (note 4):		
First mortgage bonds - - - - -	7,370,300	9,011,900
Debentures - - - - -		2,389,400
Term bank loan - - - - -	10,000,000	
10% Secured Debentures (note 1) - - - - -	36,022,704	
	<u>53,393,004</u>	<u>11,401,300</u>
EQUITY OF MINORITY SHAREHOLDERS in subsidiary companies - - - - -		72,381
DEFERRED INCOME TAXES - - - - -		873,000
OTHER LIABILITIES:		
Current bank indebtedness - - - - -	2,200,000	3,306,724
Accounts payable and accrued charges - - - - -	1,511,649	1,525,617
Dividends payable - - - - -		84,268
Income taxes payable - - - - -		88,025
Accrued bond and debenture interest - - - - -	64,775	68,494
	<u>3,776,424</u>	<u>5,073,128</u>
	<u>\$57,120,977</u>	<u>\$46,639,598</u>

Approved on behalf of the Trustees:

E. P. Taylor, *Trustee*

John J. Mooney, *Trustee*

(See accompanying notes)

THE ONTARIO JOCKEY CLUB

CONSOLIDATED STATEMENT OF DEFICIT

for the year ended December 31, 1971

Earned surplus, beginning of the year - - - - -		\$121,317
Dividend paid to parent company - - - - -		<u>121,250</u>
		67
Combined net profit for the year - - - - -	\$766,857	
Less portion applicable to The Jockey Club Limited to December 5, 1971 (notes 1 and 2) - - - - -	<u>815,375</u>	(48,518)
Deficit, end of the year - - - - -		<u><u>\$(48,451)</u></u>

(See accompanying notes)

COMBINED STATEMENT OF CONSOLIDATED PROFIT AND LOSS

of the corporation and its former parent company, The Jockey Club Limited and their subsidiary companies (note 2)

for the year ended December 31, 1971

(with comparative figures for the year ended December 31, 1970)

	1971	1970
Income:		
Commission on mutuel wagering - - - - -	\$21,630,686	\$22,393,795
Admissions (not including taxes collected) - - - - -	4,230,898	4,233,729
Concessions, programmes and parking - - - - -	3,433,884	3,409,553
Other income - - - - -	149,278	404,697
Total - - - - -	<u>29,444,746</u>	<u>30,441,774</u>
Operating expenses:		
Purses (note 6) - - - - -	9,338,838	9,467,259
Salaries and wages - - - - -	7,032,699	6,667,946
Other operating and maintenance expenses - - - - -	8,636,597	8,072,620
Total - - - - -	<u>25,008,134</u>	<u>24,207,825</u>
Profit from operations before depreciation - - - - -	4,436,612	6,233,949
Depreciation - - - - -	1,613,535	1,577,124
Profit from operations - - - - -	<u>2,823,077</u>	<u>4,656,825</u>
Financial expenses (net):		
Interest and discount on long-term debt - - - - -	618,963	655,064
Other interest - - - - -	216,263	70,104
Total - - - - -	<u>835,226</u>	<u>725,168</u>
Profit before the following - - - - -	1,987,851	3,931,657
Income taxes - - - - -	1,030,200	2,040,000
Profit before minority interests and extraordinary item - - - - -	957,651	1,891,657
Minority interests - - - - -	190	5,658
Profit before extraordinary item - - - - -	957,461	1,885,999
Extraordinary item:		
Reorganization expenses (net of \$116,000 income taxes) - - - - -	190,604	
Combined net profit for the year - - - - -	<u>\$ 766,857</u>	<u>\$ 1,885,999</u>
Taxes on wagering and admissions collected for taxation authorities - - - - -	<u><u>\$16,215,940</u></u>	<u><u>\$16,599,271</u></u>

(See accompanying notes)

THE ONTARIO JOCKEY CLUB

COMBINED STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF CASH

of the corporation and its former parent company, The Jockey Club Limited and their subsidiary companies (note 2)

for the year ended December 31, 1971

(with comparative figures for the year ended December 31, 1970)

Cash provided:	1971	1970
From operations—		
Net profit for the year - - - - -	\$ 766,857	\$ 1,885,999
Minority interest in profits of subsidiary companies - - - - -	190	5,658
Depreciation - - - - -	1,613,535	1,577,124
Amortization of bond and debenture discount - - - - -	48,000	57,000
Deferred income taxes - - - - -	39,400	60,000
	<u>2,467,982</u>	<u>3,585,781</u>
Decrease (increase) in accounts receivable and prepaid expenses - -	339,272	(366,089)
Decrease in mortgage receivable - - - - -	44,710	44,710
Term bank loan - - - - -	10,000,000	
Issue of common shares for cash - - - - -	227,220	94,341
Total cash provided - - - - -	<u>13,079,184</u>	<u>3,358,743</u>
Cash expended:		
Purchase of fixed assets (net) - - - - -	417,958	5,981,157
Land transfer taxes - - - - -	218,618	
Redemption of preference shares - - - - -	6,189,380	100,000
Retirement of bonds and debentures payable - - - - -	4,079,000	720,000
Net decrease in liabilities other than deferred income taxes and long-term debt - - - - -	313,039	957,297
Dividends - - - - -	311,402	929,961
Income taxes paid on undistributed income - - - - -	464,632	
Total cash expended - - - - -	<u>11,994,029</u>	<u>8,688,415</u>
Increase (decrease) in cash - - - - -	<u>\$ 1,085,155</u>	<u>\$ (5,329,672)</u>
Cash (net bank indebtedness), beginning of the year - - - - -	\$ (2,848,755)	\$ 2,480,917
Net bank indebtedness, end of the year - - - - -	(1,763,600)	(2,848,755)
Increase (decrease) in cash during the year - - - - -	<u>\$ 1,085,155</u>	<u>\$ (5,329,672)</u>

(See accompanying notes)

AUDITORS' REPORT

To the Members of The Ontario Jockey Club:

We have examined the following financial statements of The Ontario Jockey Club and its subsidiary companies:

Consolidated balance sheet as at December 31, 1971;

Consolidated statement of deficit for the year ended December 31, 1971;

Combined statement of consolidated profit and loss of the corporation and its former parent company, The Jockey Club Limited and their subsidiary companies for the year ended December 31, 1971;

Combined statement of consolidated source and application of cash of the corporation and its former parent company, The Jockey Club Limited and their subsidiary companies for the year ended December 31, 1971.

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the corporation and companies referred to above as at December 31, 1971 and the results of their operations and the source and application of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
May 17, 1972.

Clarkson, Gordon & Co.
Chartered Accountants

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 1971

1. CORPORATE REORGANIZATION

During the year the shareholders of The Jockey Club Limited (the former parent company of The Ontario Jockey Club) approved a reorganization of that company and its subsidiaries under which:

- (a) The assets and businesses of The Jockey Club Limited and its subsidiaries were acquired, subject to liabilities, by The Ontario Jockey Club (formerly the Toronto Driving Club Limited which at the time of the reorganization was a subsidiary of The Jockey Club Limited) for an aggregate net consideration of \$36,022,704 which was satisfied by the issue of \$36,022,704 principal amount of 10% Secured Debentures of The Ontario Jockey Club.

The total purchase price for the said assets and businesses was allocated as follows:

For all assets other than land and depreciable property—at book values:

For depreciable property—at the effective undepriciated capital cost as determined for income tax purposes as at December 5, 1971:

For land—at the balance of such total purchase price.

- (b) The Jockey Club Limited paid income taxes of \$464,632 on its undistributed income and that of its subsidiaries to allow the balance of that company's earned surplus to be distributed to its shareholders free of any further income taxes.
- (c) The Jockey Club Limited redeemed all of its outstanding preference shares at the par value thereof plus a premium of \$291,780 and accrued dividends.
- (d) The Jockey Club Limited distributed its only remaining asset consisting of the said \$36,022,704 principal amount of 10% Secured Debentures to its common shareholders at the rate of \$6 principal amount of such debentures for each common share in anticipation of surrendering its charter.

The effect of the above transactions on the common share equity of The Jockey Club Limited is analysed below:

[illegible]

On December 22, 1971 supplementary letters patent were obtained converting The Toronto Driving Club Limited into a corporation without share capital and changing its name to The Ontario Jockey Club. The corporation has continued the operations previously conducted by The Jockey Club Limited and its subsidiaries.

2. FINANCIAL STATEMENT PRESENTATION

Since the activities of The Ontario Jockey Club represent a continuation of those of The Jockey Club Limited, combined statements of these two corporations for 1971 and comparative consolidated financial statements of The Jockey Club Limited for 1970 have been included where appropriate.

3. BUILDINGS AND EQUIPMENT

3. BUILDINGS AND EQUIPMENT	<u>Cost</u>
Buildings - - - - -	\$23,714,810
Racetracks, roads and parking lots - - - - -	4,422,765
Machinery and equipment - - - - -	<u>1,728,739</u>
	\$29,866,314

These amounts represent the cost at which The Ontario Jockey Club purchased depreciable assets from The Jockey Club Limited and its subsidiary companies, in exchange for 10% Secured Debentures of a similar principal amount.

4. LONG-TERM DEBT

	Principal amount issued	Outstanding December 31, 1970	Retired during the year	Outstanding December 31, 1971
FIRST MORTGAGE SINKING FUND BONDS—				
5¼% Series A, due January 1, 1971 - - - - -	\$ 4,000,000	\$1,200,000	\$1,200,000	
7% Series B, due November 1, 1978 - - - - -	3,000,000	1,560,000	120,000	\$1,440,000
7% Series C, due November 15, 1980 - - - - -	3,000,000	1,980,000	120,000	1,860,000
6¾% Series D, due May 1, 1982 - - - - -	3,000,000	2,220,000	120,000	2,100,000
6¾% Series E, due November 15, 1983 - - - - -	3,000,000	2,340,000	120,000	2,220,000
	<u>\$16,000,000</u>	<u>9,300,000</u>	<u>\$1,680,000</u>	<u>7,620,000</u>
Less unamortized discount - - - - -		288,100		249,700
		<u>\$9,011,900</u>		<u>\$7,370,300</u>
SINKING FUND DEBENTURES—				
5½% due January 1, 1972 - - - - -	<u>\$ 6,000,000</u>	\$2,399,000	<u>\$2,399,000</u>	
Less unamortized discount - - - - -		9,600		
		<u>\$2,389,400</u>		

On January 1, 1972, the interest rates on all of the first mortgage sinking fund bonds outstanding at December 31, 1971 were increased by 1% and these increased rates are reflected above.

TERM BANK LOAN, with interest at a rate of ¾% above the prime bank rate - - - - - \$10,000,000

The corporation has given demand notes for this loan. Repayment, however, is scheduled in three annual instalments of \$2,000,000 commencing November 15, 1973, with the balance payable November 15, 1976.

10% SECURED DEBENTURES (subordinated to the term bank loan and secured by a second mortgage on the fixed assets and a second floating charge on the remaining assets of the corporation), due January 1, 1992 - - - - \$36,022,704

Payments on maturity and loan repayments during the next five years on all long-term debt are as follows:

Year ending December 31, 1972 - - - - -	\$ 480,000
Each of the years ending December 31, 1973 to 1975 - - - - -	\$2,480,000
Year ending December 31, 1976 - - - - -	\$4,480,000

5. DEBENTURE RESTRICTIONS

The deed of trust and mortgage and indentures supplemental thereto securing the corporation's bond indebtedness provide that the corporation will not redeem or purchase or pay interest on the 10% Secured Debentures of the corporation unless after giving effect to such action the aggregate amount so paid will not exceed the total of:

- the aggregate of the consolidated net earnings available for dividends of The Jockey Club Limited and its subsidiaries, as defined, since December 31, 1969 and up to and including December 5, 1971 and
- the aggregate of the consolidated net earnings available for debenture interest of the corporation and its subsidiaries, as defined, after December 5, 1971.

The trust indenture under which the 10% Secured Debentures have been issued contains a similar provision. As at January 1, 1972 the total of paragraphs (i) and (ii) above amounted to approximately \$2,828,000.

6. PURSES

Grants distributed to owners of horses on behalf of the Provincial Government totalling \$1,344,013 during 1971 have not been included in the accompanying financial statements.

7. REMUNERATION OF MANAGEMENT

Directors, as such, receive no remuneration for their services. The aggregate direct remuneration paid or payable by the corporation to its senior officers for the year was \$18,717 and that paid by its former parent company to its senior officers for the year amounted to \$195,364.